



# Pizza

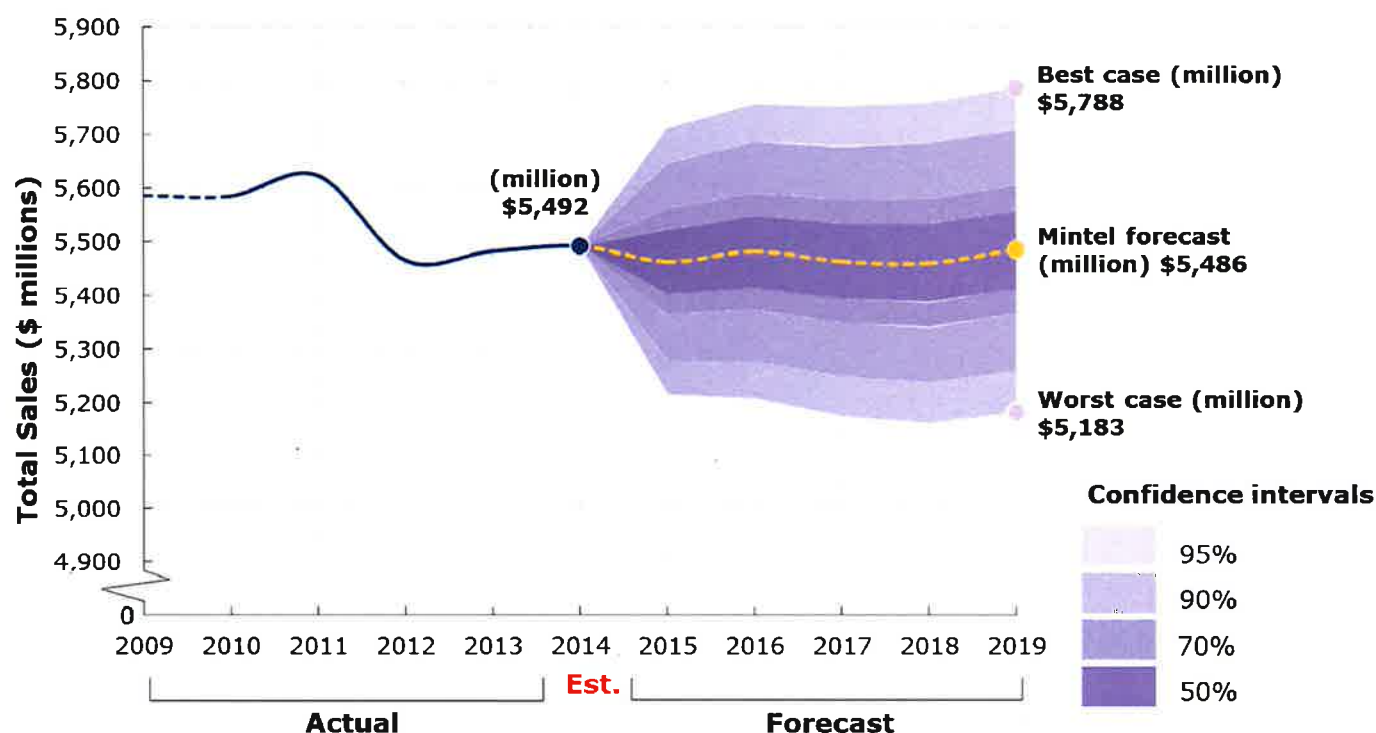
US June 2014

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**Exhibit B**

## Flat sales forecasted

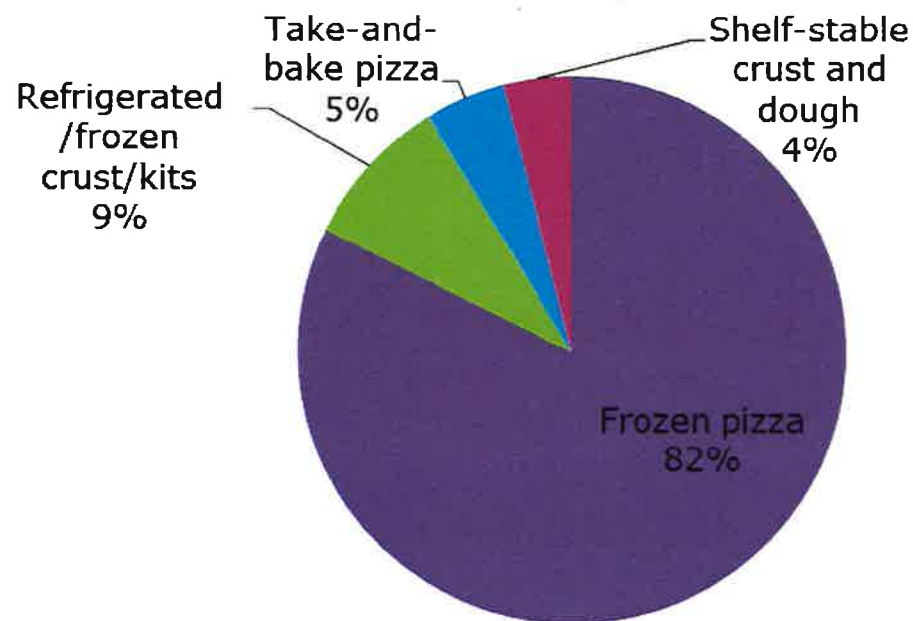
Retail brand pizza in the US experienced mostly flat sales between 2009 and 2014 for an estimated \$5.5 billion and is forecast to remain at \$5.5 billion into 2019. Poor sales performance is due to competition from restaurant/takeout/delivery pizza, which a majority of consumers perceive to be better than store-bought pizza, and which an increasing number of consumers have returned to as the economy slowly recovers.



Source: Based on Information Resources, Inc., InfoScan® Reviews; IDDBA, "What's in Store?"; US Census Bureau, Economic Census; Progressive Grocer's Consumer Expenditures Study/Mintel

## Frozen pizza comprises 82% in 2014

Frozen pizza accounts for 82.3% of the pizza at retail market, with \$4.5 billion in estimated 2014 sales. However, the segment grew only 0.6% over 2012, underscoring the challenge frozen pizza brands face as more consumers feel the easing of the recession and resume spending on restaurant pizza rather than retail brand pizza. Frozen brands also contend with the growing trend toward fresh foods, particularly among health-conscious consumers who perceive frozen foods to be full of artificial ingredients and other unhealthy additives.

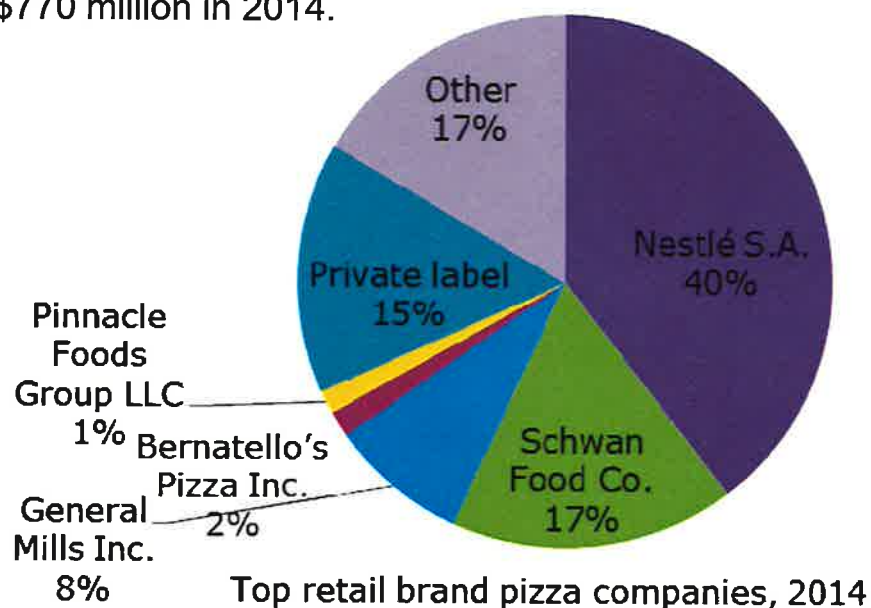


Pizza segments, 2014

Source: Based on Information Resources, Inc., InfoScan Reviews; IDDBA, "What's in Store?"; US Census Bureau, Economic Census; Progressive Grocer's Consumer Expenditures Study/Mintel

## Key players

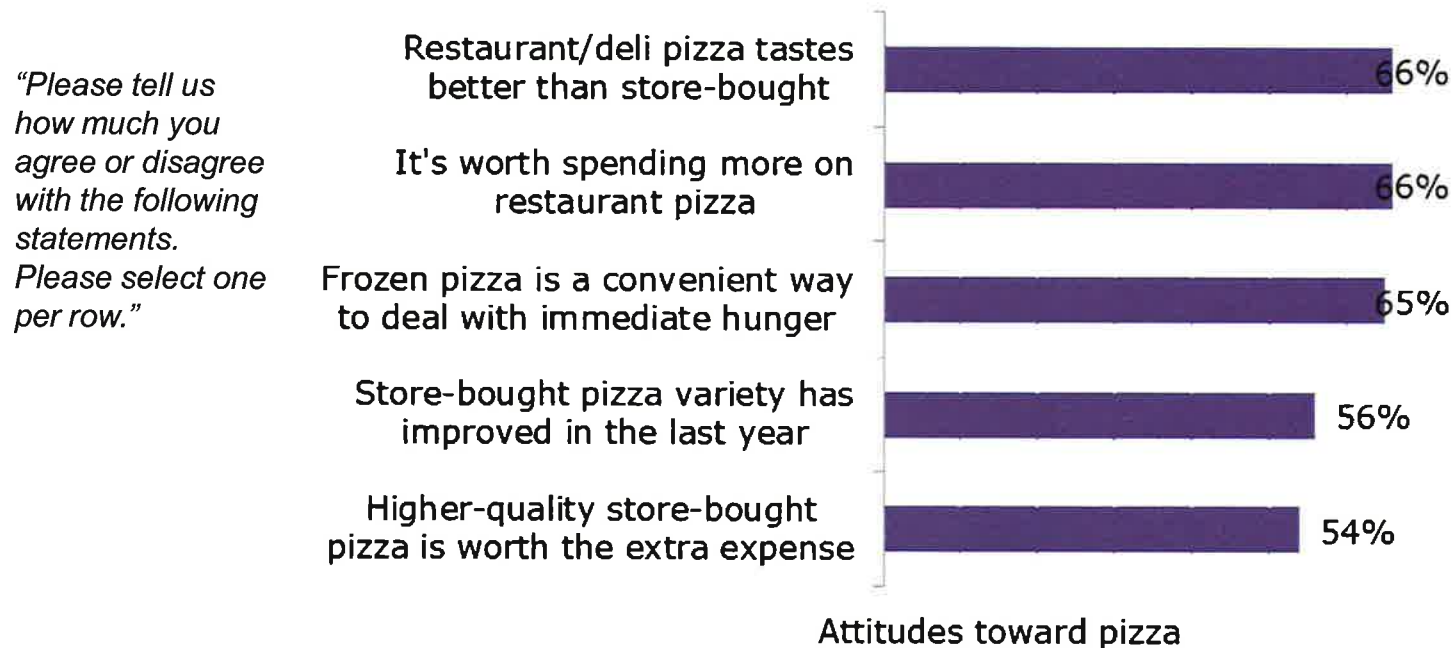
Nestlé S.A. accounts for 39.6% of the MULO pizza at retail market, with \$2 billion in the year ending Feb. 23, 2014, a loss of 2.2% from the year ending Feb. 24, 2013. Nestlé's sales source entirely from the frozen pizza segment, where it markets top brands including DiGiorno, Tombstone, and CPK. These brands dropped sales between Jan. 24, 2013, and Jan. 23, 2014, with the exception of DiGiorno Pizzeria!, which earned \$89 million in inaugural sales during this time. Other leading companies trail Nestlé by large margins. Schwan Food Co. comprises 17.3% of the market for \$877 million, representing a 3.3% decline from the 52 weeks ending Feb. 24, 2013. General Mills Inc. products were basically flat between Jan. 24, 2013, and Jan. 23, 2014, for \$424 million and 8.4% share. Private label comprises 15% share and \$770 million in 2014.



Source: Information Resources, Inc., InfoScan Review/Mintel

## Two thirds agree that retail brand pizza compares unfavorably with restaurant pizza

Two thirds of respondents whose household eats pizza agree that store-bought pizza does not taste as good as restaurant/takeout/delivery pizza (although more than half say the variety of store-bought has improved in the last year, and nearly half say the taste has improved). Another two thirds say it is worth it to spend more on a restaurant pizza than store-bought pizza. These results underscore the primary obstacle retail brands face when competing with restaurant pizza: flavor. A number of leading brands have improved the quality of their products to more closely resemble restaurant pizza (DiGiorno's "New Awesome Sauce" and its successful Pizzeria! launch).



Source: Mintel

Base: 1,880 internet users aged 18+ whose household eats pizza

## More than six in 10 eat takeout/delivery; less than six in 10 eat frozen

More than six in 10 respondents report eating takeout/delivery pizza in the household in the last six months, compared to the less than six in 10 who report eating frozen pizza during this time. Close to half report eating restaurant pizza. These results underscore the competition store-bought frozen brands face from restaurant/takeout/delivery pizza.



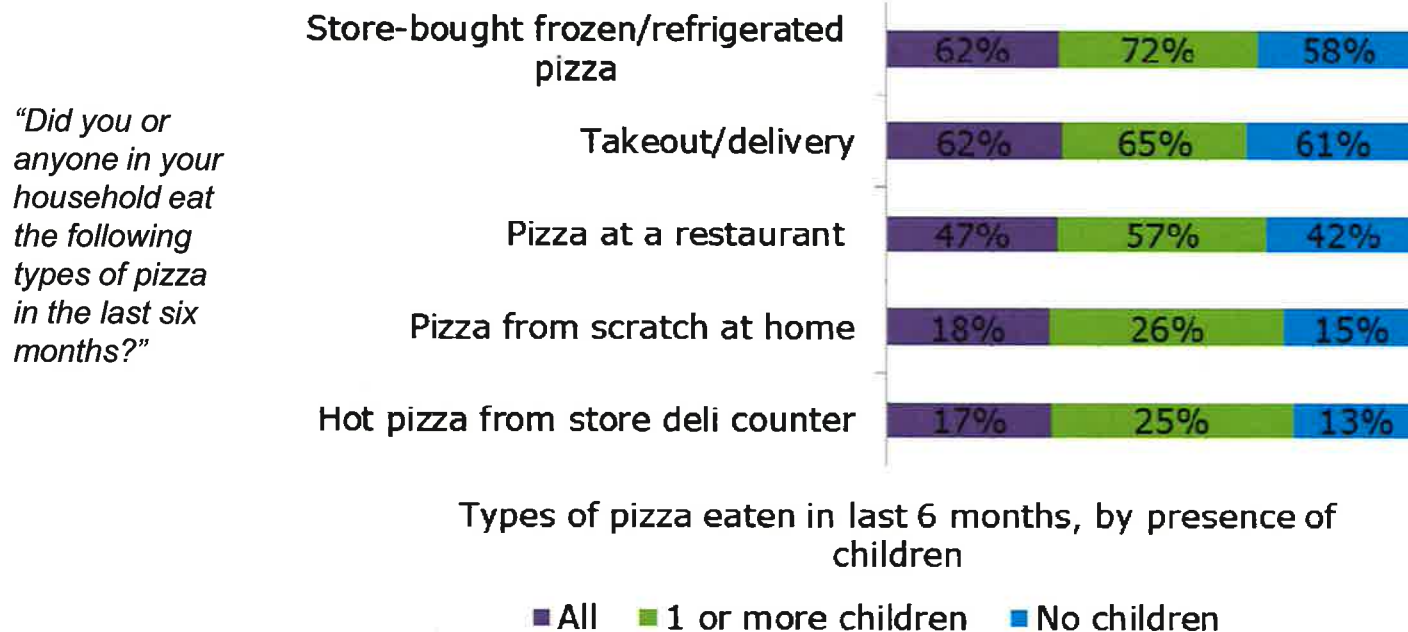
Source: Mintel

Base: 2,000 internet users aged 18+

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## Presence of children drives sales

Households with children report significantly more likelihood to eat a range of pizza types in the household in the last six months. This illustrates that families should be a major component of store-bought brand marketing and product innovation. For example, single-serve products, which households with kids also report more likelihood to use, can help make snack and mealtime solutions easy for busy parents. Moreover, side dishes such as wings or mozzarella sticks are also likely to attract households with kids because these products help mimic the pizza restaurant experience that kids famously love.



Source: Mintel

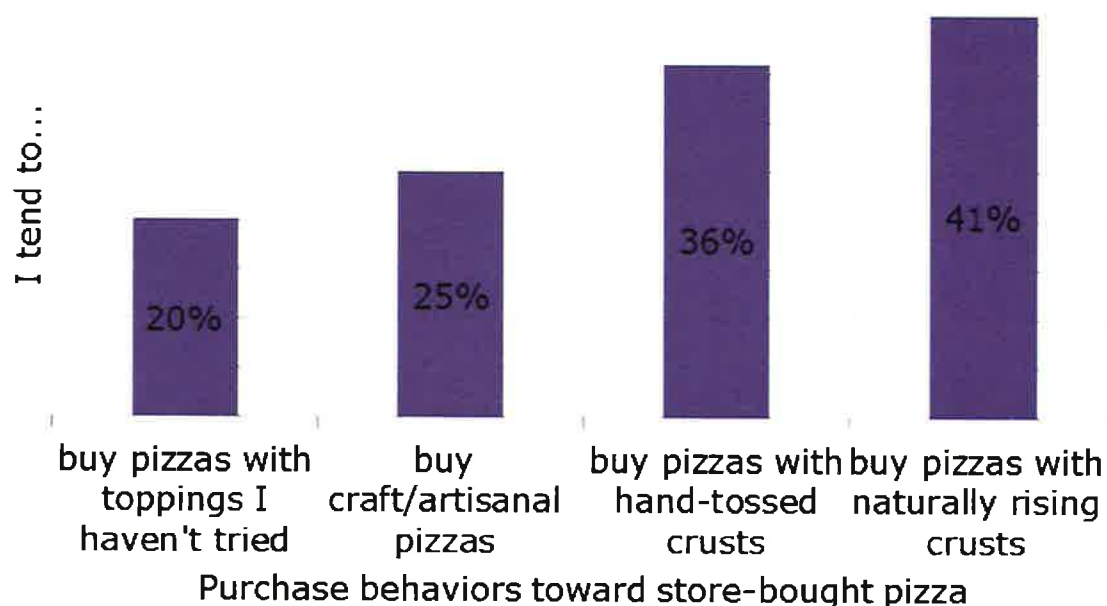
Base: 2,000 internet users aged 18+



## Many tend to buy pizzas with naturally rising, hand-tossed crusts

More than four in 10 respondents whose household uses frozen/refrigerated pizza say they tend to buy pizzas with naturally rising crusts, while more than a third of respondents say they tend to buy pizzas with hand-tossed crusts. These results indicate that quality crust is a key attribute for consumers and one that they likely closely equate with restaurant-style pizza. A quarter of respondents report buying craft/artisan pizzas, suggesting that a number of consumers look for retail brands that provide premium quality or unusual flavor combinations. Two in 10 respondents report buying pizzas with toppings they have not previously tried.

*"Thinking about the frozen or refrigerated pizzas you buy at a grocery store, please tell us if you agree with the following statements. Please select all that apply."*

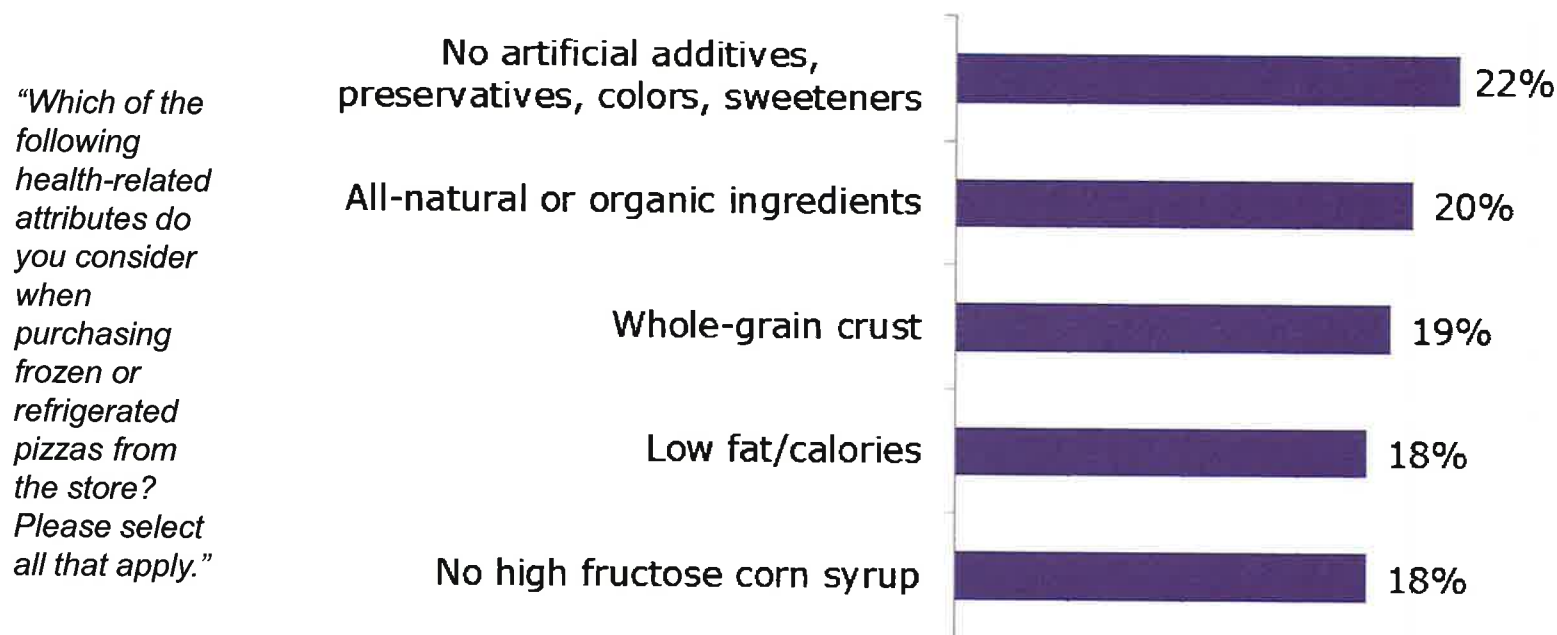


Source: Mintel

Base: 1,240 internet users aged 18+ whose household uses refrigerated/frozen pizza

## Relatively few respondents consider healthy pizza attributes to be important

Some 22% of respondents whose household uses frozen/refrigerated pizza say they consider health-related attributes such as no artificial additives/preservatives/colors/sweeteners to be important when selecting store-bought pizza. Two in 10 say they consider all-natural/organic ingredients to be important. These are relatively low response rates that suggest that users are not looking to retail brand pizza as a source of nutrition.



Important health-related product attributes for store-bought pizza

Source: Mintel

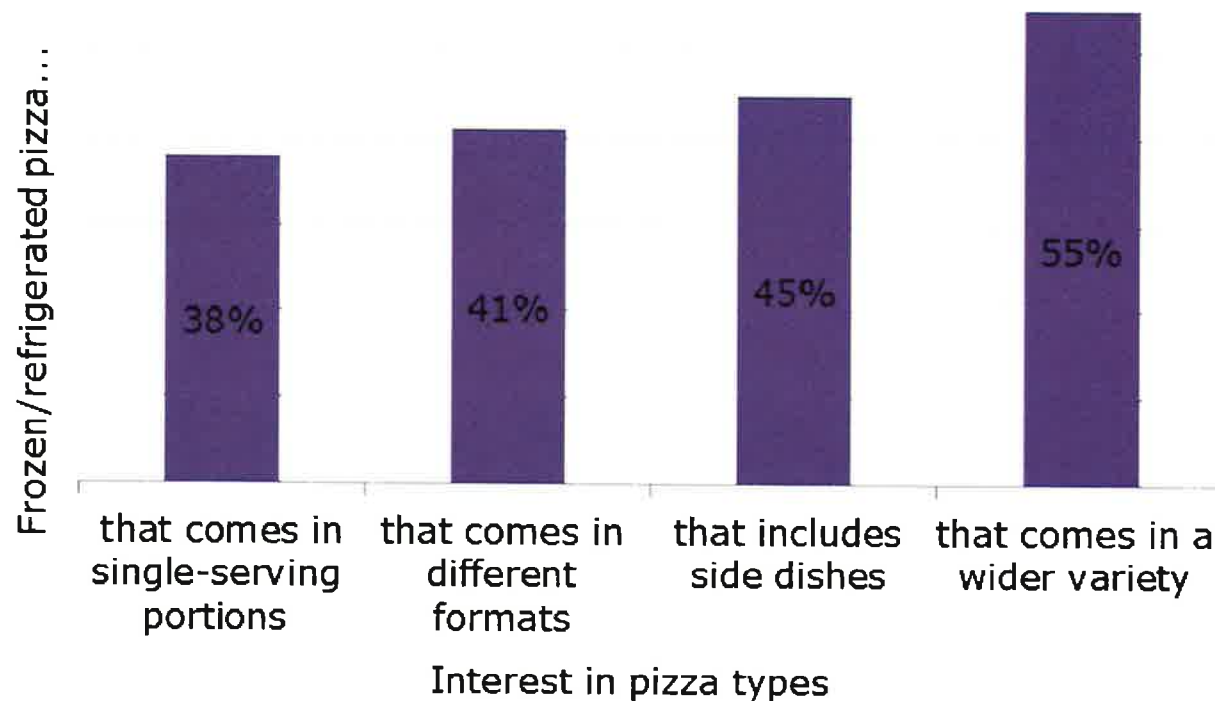
Base: 1,240 internet users aged 18+ whose household uses refrigerated/frozen pizza

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## More than half report interest in a wider variety of pizza styles

More than half of those surveyed by Mintel whose household uses frozen/refrigerated pizza, report interest in a wider variety of pizza styles, such as New York or Sicilian style. This result underscores that many consumers are looking for pizza varieties found at restaurants, and offers retail brands that provide a range of styles an opportunity to better compete with restaurant pizza.

*"Which of the following, if any, would you be interested in trying? Please select all that apply."*



Source: Mintel

Base: 1,249 internet users aged 18+ whose household uses refrigerated/frozen pizza

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